

DoD's Fiscal 2002 Amended Budget Request

Under Secretary Aldridge Speaks Out on Acquisition Budget Implications

On June 27, 2001, Secretary of Defense Donald Rumsfeld presented a special DoD News Briefing on the amended fiscal 2002 budget request for the Department of Defense. Under Secretary of Defense for Acquisition, Technology and Logistics Edward C. "Pete" Aldridge spoke with a small group of reporters after the briefing.

Q What is going into the BMDO [Ballistic Missile Defense Organization] in terms of changing the lending programs into categories?

A The philosophy of the ballistic missile defense program is that we are trying to put together a technology program that will allow ballistic missile defense to move from various stages of intercept — we'll be looking through the entire spectrum of ballistic missiles from short-range to long-range, and designing a program that allows us to address the terminal phase, the mid-course phase, and the boost phase.

And as we go from terminal to boost, it obviously gets harder and harder. We're not sure we know what the answer is to move through these layers of defense, so we've laid out a program that really gets started in FY02 to begin to identify those technologies for those various phases of flight. And as we proceed in time and technologies are proven or disproved, we will narrow down [the choice of technologies], heading toward a solution.

As we get to a solution, if there is a decision to deploy, we will. The first step of that you're seeing [already] in the bud-



Crusader
Image courtesy General Dynamics

get, where the PAC-3 [Patriot Advanced Capability 3] and possibly wide area defense are actually moved from BMDO to the Services for them to [monitor and] deploy. That's missile defense, and they've made the decision to move out and proceed.

As we lay out a research and development program, and as we find those answers with time and we know what the cost is and we know what the time to deploy would be, then we would move it [missile defense] back to the Services for implementation.

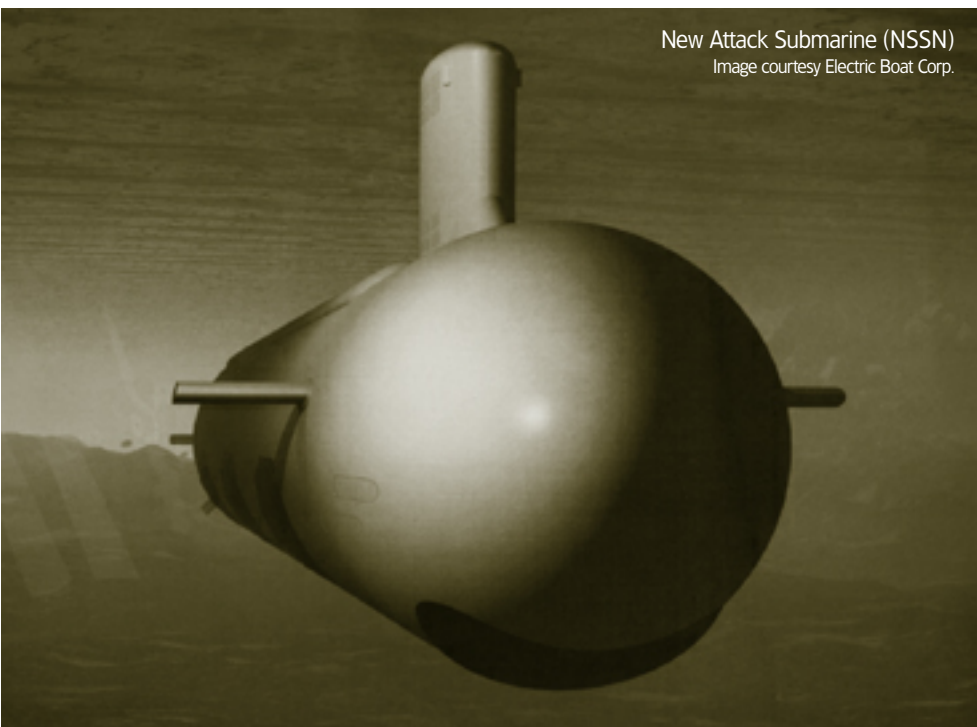
In the past we've been spending money, but we've been restricted to the assumption that we will do everything within the ABM [Anti-Ballistic Missile] Treaty. I think you've heard the President has said that until we find a solution — if that's the solution we want — we will not be constrained by the ABM

Treaty. We hope to negotiate that away, but he thinks the decision on how we're going to pursue ballistic missile defense will be based on what's in the best interest of the nation in *this* world rather than the world of 1970.

As a matter of fact, I was a member of the arms control negotiating team that wrote the provisions of testing in the ABM mode. I was part of the SALT I [Strategic Arms Limitation Treaty I] negotiating team, and I remember writing those provisions down. Those provisions are no longer appropriate for this world. That was 30 years ago. So that's kind of what the plan is and that's what [BMDO Director] General Ronald Kadish has laid out.

The program this year adds roughly \$2 billion to begin to lay out these parallel technology paths, and that's where we're heading.

New Attack Submarine (NSSN)
Image courtesy Electric Boat Corp.



plan was, we would be going down over the next 20 years to a 200- or 230-ship Navy. So we said we need to understand the role of the Navy in this new environment. What is the role of the Navy? What is the structure of the Navy we need to pursue to begin to meet our needs for the future as part of this strategy?

“On the morale of the military — in spite of the fact that they’re overworked and they endure deployments and unreasonable things, you will never find any finer people in the world than the U.S. military. As I think about it, I’d put that on the top of the list. It’s magnificent — and we ought to be proud of them.”

Joint Strike Fighter
Photo courtesy Boeing



I asked the Secretary of Defense about doing an overall Navy force structure review with the programs that we need, the rate of ships we need to buy, and the type of mix of ships we need for the future. So the study was undertaken under those ground rules. It was something that I thought was very important.

I happened to have run a Navy shipbuilding study for former Secretary of Defense Rumsfeld in 1976, and he understands how we do those kinds of things. We look at the world and determine what the world looks like and the threats, challenges, and technologies of the world. We need to determine what the role of the Navy is in this future world. If we can determine what the role of the Navy is going to be, then we can determine the size and the shape

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Knowing that you are heading up this panel that is now doing a comprehensive review of the Navy’s shipbuilding program, [and based on] what you see from the Navy regarding their solutions for what to do with the SBN [Ship Building Navy] account money that’s provided in this budget, is that satisfactory to you? Are they placing them-

selves on the right track given what you started to see out of your review?

A

What we saw in the review as far as what’s going on in the Navy ship building program, puts the Navy on a decline [as far as] total number of ships. If we did nothing more than what the Navy’s

and the technology that it ought to have. We need to do that before we lay out a shipbuilding program. We have to do it for the purpose for which the Navy's been constructed.

Q

Based on the reaction yesterday to the play on reducing the B-1s and consolidating them, and the general reaction in Congress every time there's a suggestion to cut some-

“Anybody who has heard me testify to the House and Senate and during my confirmation knows I have a goal in my life of establishing the credibility of our acquisition process. I am determined to make that happen, and properly pricing a program is one way.”

thing almost anywhere, how realistic is it to make those cuts? And how do you go about doing it?

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Of course you'll have to ask the Air Force for the details of this, but I did work with Secretary of the Air Force [James G.] Roche when he was going through the decision process.

We've got 93 B-1s, which are not very effective. We said if we're going to keep the B-1 force we need to make it effective. Clearly we don't have all the money in the world. The plan was, from the Air Force point of view, to consolidate the B-1s onto essentially two bases with a smaller force, and use the money to modernize the current force to make it operationally effective. There are some

problems with the defensive avionics — they [Air Force] need to upgrade the bomber to carry more of the newer class of weapons. So it was a decision that I believe was based on logic and reason. If we're going to keep the B-1s, we need to make them as effective as we possibly can. And here's a plan to do so.

Yes, I understand the politics and that half of the Air Force [personnel] that would be reduced are Air National Guard, but we tried not to put politics in our decision. The Air Force tried to be as logical as they could about the right thing to do for the B-1 force, that would contribute to the bomber force — the bomber force being the B-2s, the B-52s — and make the force as effective as it possibly can be. In my view, it is the right answer.

Q

How do you take the next step? How do you sell it?

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Just the way I did. You're going to hear the Secretary of Defense say this. We have too much infrastructure for our current force structure. The numbers run between 20 and 25 percent. We cannot keep all the things that we have distributed across the country and still run this Department in an effective way. It's just not efficient.

We have to determine what makes sense, present the case to the Secretary of Defense and then the President and then the Congress, and let the chips fall where they may. Some may say that, politically this is too hard. All we can say is, this is what makes sense from the standpoint of running the Department correctly, and logically, and truthfully.

And you'll hear a lot about another aspect of the budget. We have properly priced the programs that are currently in the budget. We're tired of going over to the Hill and telling what a program costs and knowing it's not truthful. So we have fully funded by several hundred million dollars, programs that are currently in the budget — shipbuilding being one of those. We have properly

priced the programs, and we will continue to do so.

Anybody who has heard me testify to the House and Senate and during my confirmation knows I have a goal in my life of establishing the credibility of our acquisition process. I am determined to make that happen, and properly pricing a program is one way. We know there were too many programs underpriced. When fish comes to bait — when we get to the point of having to really determine the price of a program and we're going to have to rob one program to pay for another — I call it getting all the programs sick as a result.

Q

That's the genesis for your PBD [Program Budget Decision] on relative cost?

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Yes, correct.

Q

\$100 million for ships?

A

Right.

Q

Pete, I want to make sure I'm not mixing apples and oranges, and maybe this was sort of an inference that I leaped to incorrectly, but am I hearing or understanding right when you talk about incentives for the Services to create efficiencies and save money — does that also lead over into weapons programs? In other words, if the Army or the Navy or anyone can figure out a way to truly dispose of systems that really aren't efficient and economical and move ahead, then they're not necessarily going to suffer?

A

Yes. In fact, the Army actually gave up 25 percent of their artillery pieces to get Crusader — one of their biggest programs — because of its ability to fire more often. So they actually paid for Crusader with their force structure reduction.

We have set up a council called the Business Initiative Council that consists of

the three Service Secretaries and me. We have a working group formed with the three-star level underneath to identify efficiencies within the Services. The role that I play is to look across all the Services and see what they're doing. We can comment on their best practices and we can suggest ideas or identify areas where they're not doing things very efficiently.

But the four of us have a goal that we want to achieve: to take \$15 to \$30 billion a year out of the infrastructure and overhead of the Department of Defense. Now it's going to take us awhile to get there, but we believe we have an important incentive to the Army, Navy, and the Air Force in that if they can find things they're doing that are not very cost effective and get rid of them, they can keep the money to pay for things they really want. That precludes us having to increase the budget to pay for those categories such as people. We can put money for people in the budget now. If we can find these savings, we won't have to increase the budget. The Services can put their own money into people. That's our goal, and that's the purpose of that Council.

Q Can you do this infrastructure reduction without a BRAC [Base Realignment and Closure]?

A I think we have to do a BRAC to get the infrastructure down, yes. But there are other things we can do without a BRAC. For example, there is some discussion within the Army on why DoD is involved with prisons. In fact, they just built a brand new prison at Fort Leavenworth. A question mark? Just maybe the Army can outsource that prison, and if it's outsourced and the Army manages to save some money, they can use it for other things — things the Army really does need such as family housing, infrastructure, and facilities.

We believe there's a lot of things like that yet to be identified. DoD has a lot of overhead for things in the United States, and people are used for jobs we proba-

bly could outsource. But we have to be fair and objective as to how we approach that.

The incentives before were simply not there. Any time the Services saved some money, the Comptroller took it. Here, with the commitment of the Secretary of Defense, if they [the Services] can find efficiencies, they get to keep the money to pay for things we want them to do; therefore, we will not have to add money to their budget to achieve it. So if we can get savings in the \$15-billion-a-year range, we can start the process of doing the transformation that we really need to do.

We may fail. But we are optimistic at this point that we will not, because the incentives are there for the Services to pursue.

Q You talked about the B-1 decision in terms of infrastructure, but [DoD Comptroller Dov Zakheim] was saying that these bases have other airplanes, and that they would not be closed.

A That's true. I was speaking more from the logic of consolidating the B-1s onto two bases, putting an optimum number of aircraft on each base, and then using the savings for other areas. But yes, the C-130s, C-135s, and so forth would still be left on those bases.

Q If you take everything that was said in the briefing, about 10 years from now DoD forces are going to be 85 percent of what they are today. [Considering] the amount of money we need to spend on O&M [Operations and Maintenance] and other readiness things, it's going to take a long time to get out of the problems that have accumulated over the years. That suggests that even the transformation budget — the '03 budget — is not going to be hugely different from '02. Is that a fair assumption?

A That's probably premature. Because if we can do some things in '02 — for example, if we do get some kind of deci-

sion on a base closure package — we can start the process in '03, even though it takes up-front dollars. And if we can get some of these initiatives from the Services as we go through the next fiscal year, I'm going to be optimistic that we can start showing some savings that will offset the beginnings of these transformations.

But you're right. We've got to be able to show some savings to get some of this transformation as quickly as we can. Of course we're trying to do that as fast as we can. But there are lots of bills to pay. The Secretary's talked about medical care. That's a huge bill for the Department of Defense. We have to do more in family housing. We've got something like 160,000 substandard family housing units. We're trying to get on a trajectory to get those removed in the next decade. We're trying to get on a trajectory to get the infrastructure recapitalization rates back to something that's reasonable. We've got a lot of readiness problems, both in our facilities as well as the military.

We've made a major strike toward getting most of this done in FY02. We're going to have to continue it. It's a bill that doesn't go away. You don't buy infrastructure, fixing it one year and forgetting about it the next, because the problems continue on. We hope that the way we're going to increase the transformation budget is to increase it through savings — infrastructure savings or efficiencies that we can find — and hopefully we will be able to do that.

Q I was just at the Air Force briefing on their budget, and they were saying it's [all about] people and readiness. That's really all they can afford right now. And most of the new money is because of [cost growth]. To stave off cost growth, sometimes you need to invest now to get in the pipeline. And if transformation is going to be as "transformational" as some people expect, one would think we'd need to start investing now. And there isn't a whole lot, at least in the Air Force budget, for [investment] right now. How are you going to contain those costs,

and aren't you taking somewhat of a gamble in waiting until '03?

A

In the '02 budget, what you see is what you get. There are no major force structure reductions other than what we saw [in Secretary Rumsfeld's briefing] — the restructuring of the B-1 and phasing down of the Peacekeeper. Those are really the only force structure things decided.

“Areas where I think the United States has a tremendous advantage are space and information surveillance and reconnaissance. We've got enormous leverage of our abilities in information operations, information warfare, and information dominance... No adversary can match us. I think that's an advantage we have for all of the Military Services.”

A lot of things are still on the plate as we go through the QDR [Quadrennial Defense Review] process and get ready for FY03. If we see things that result from the QDR such as no longer needing the force structure, we can make those adjustments both for '02 as well as getting ready and offsetting anything for '03. This is a continuum. It doesn't stop at any one place.

I'm hoping, again, somewhat optimistically, that our BIC — the Business Initiatives Council — will be able to identify some things, and the QDR will

begin to identify some things maybe we don't need. Everything is on the plate at this point in time.

We were not prepared to make any of those decisions for '02 because we don't have all of our [defense strategies] formalized; the QDR is really going to give us the direction for the next step.

Q

Do you share the view of a “train wreck” in TACAIR [tactical aircraft] that's been talked about now for so long? That basically we can't afford the three programs [F-16, F-22, JSF], or the three plus V-22?

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I think I'd take the V-22 out of the TACAIR equation at this point in time. That program is being looked at, restructured, and is getting back into a test program that can get the reliability and maintainability up. So let's put that in one sense.

The problem with TACAIR is that it's aging too quickly. And in spite of the F-22 and the JSF [Joint Strike Fighter], it's still aging. The F-22 helps bring the average age of the air superiority fighter down, but we've got TACAIR aging overall. We're not buying enough aircraft to keep the average age where we'd like to keep it, which is somewhere around a half-life, like 10 to 15 years.

So I wouldn't call it a train wreck. We've got an aging problem. And if we look at the aging problem, the only way to fix it is to get rid of the old stuff or to buy new stuff, and in some cases we've got to do both.

So we are looking at the whole TACAIR issue as part of the QDR. What is the force size we need to have? Once we get the force size we need to have, we can make some kind of determination on whether or not we want to get rid of some of the older aircraft, thereby allowing the newer aircraft to come in. Here's what we have to do: determine the role of the tactical air force, what missions we want it to perform, and the mix of aircraft we need. I don't call it a train wreck — it's an aging problem.

Q

Can I follow up on the same topic?

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Sure.

Q

Joint Strike Fighter specifically — the budget was pretty much seen as coming in where it was supposed to come in. Your thoughts — does that budget allow you to do anything but a “winner take all,” and would you be willing to change strategies? Willing to find money to do that?

A

Our plan right now is that we're going to down-select around the first of October. We have to think about the industrial base implications of that. We've not made any changes to our plan right now. Both airplanes as you know, are performing exceptionally well. Over the weekend, in fact the last couple of days, they [Boeing and Lockheed Martin] have done hover tests on both aircraft, which is a major technological breakthrough — both takeoff and landings — in the vertical takeoff mode.

So the cost of the program still looks okay. The schedule of the program still looks okay. The performance is right on track. So right now we're heading toward the plan that we've laid out for ourselves, and that's down-select to the “winner take all” on the first of October.

As you know there's a tremendous international implication in this program as well, the U.K. [United Kingdom] actually being part of the team, with other countries considering joining the team. Of course they're a little worried about the future and they're a little hesitant until they get a different direction. And hopefully by this summer, we will have that direction. With our QDR process done, we'll have a handle on where we're going in TACAIR, and we can then lay out a plan to get there.

Q

Joint Strike Fighter — there's been this cottage industry in Washington saying essentially, kill the Joint Strike Fighter. If I hear

you, the decision's been made to somewhat go forward with it?

A

I didn't say that. I said we will continue with the program until we have a decision. The decision is really based on how the QDR comes out. But in the meantime, the program is proceeding. There's no reason to turn it off at this point in time because there's no rationale to turn it off.

Q

What must change between now and the end of the year to possibly change that conclusion?

A

If the QDR, for example, decided that the force structure is significantly smaller. If the QDR decided that the threat to the tactical air force was significantly different. Those are the kind of things that might turn it off.

Q

Is the QDR where you expect to come up with the numbers on the F-22?

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Yes. When this Administration came on board, the QDR is the first time that we have had to go fix some problems immediately such as the FY01 supplemental. We had to revise and amend the FY02 budget submission that had been sent to the Congress to reflect the new thoughts and ideas of this Administration in terms of both the readiness account as well as any new things we wanted to pursue. Ballistic missile defense is obviously one of those.

So we've been focused on that. FY03 is the first time we've taken the strategy and integrated it completely with the budget. So QDR is the result of all these strategy reviews, transformation studies, and the budget process, which is the normal bottom-up process that goes on in the Military Services.

The QDR has been given out to OSD and the Military Departments. They're coming back in with their analysis. Once that analysis is done, the defense plan-

ning guidance will be formulated. It goes back to the Services, where the budgets now get built from the bottom up.

So now we will have a strategy, QDR defense guidance, and a budget that is fully integrated. And '02 is the first time that's going to come together.

Q

Secretary Rumsfeld and other political appointees have said that they were surprised by some of the problems. Were there any pleasant surprises, for example, that what had been going on for the last eight years wasn't totally irrational, and some of the programs — some of the force changes — actually made sense; that they were just underfunded?

A

Yes. I would think there are a lot of things in information technology and space, for example. We found the space program, while needing a lot of things, is generally in fairly good shape. Some of the technology advances we've had in directed energy, in nanotechnology, and UAVs [unmanned aerial vehicles], for example — there's some very good work underway.

On the morale of the military — in spite of the fact that they're overworked and they endure deployments and unreasonable things, you will never find any finer people in the world than the U.S. military. As I think about it, I'd put that on the top of the list. They're magnificent — and we ought to be proud of them.

Q

There's a lot of talk about the "silver bullet" approach, [one-shot problem solving]. Philosophically, what do you think about that? Generally, do you think that's an approach one can live with, or do you think that's a pretty dumb way to do business?

A

I don't think you can point to any one thing as a silver bullet. Areas where I think the United States has a tremendous advantage, however, are space and information surveillance and reconnaissance. We've got enormous lever-

age of our abilities in information operations, information warfare, and information dominance. There's no country in the world that can match us. No adversary can match us. I think that's an advantage we have for all of the Military Services. If you look at undersea warfare, no Navy in the world can match our Navy. There are very few nations that can match our air-to-air capability. UAVs and unmanned combat air vehicles — the new technology is going to give us tremendous leverage.

Our industrial base is also a tremendous capability. There's no nation in the world that can match us in any of our industrial capacity. Our training — the ability to train and exercise our troops — no other country can match. We have an existing global command and control structure. No nation in the world has that. Unified CINCs [Commanders in Chief] — basically we have that, in regions all over the world.

We have the capability to go long range and strike anywhere in the world in a few hours. We can deliver any equipment, anywhere in the world in a few hours with our airlift capability. No other nation has that.

Just look at our space program. Surveillance — our space surveillance system is basically a global space surveillance capability. No other nation in the world has anything like that.

You put all that together, we've got a tremendous advantage, so it's not in any one thing. If you look at these things one by one, they're all silver bullets — and they're all unmatched. I'm glad it's that way.

Q

What's the status of your review of long-range strike?

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As part of the QDR there is a long-range strike study underway to fix the current B-2 and B-52 force. There are about six or seven options that are being looked at for long-range strike and that's in the defense equation.